

**In the Matter of the Proposal of Orchestra London Canada Inc. of the
City of London, in the County of Middlesex, in the Province of Ontario**

Trustee's Report to the Creditors on the Proposal

[Section 50(10) (b)]

A. Background and Causes of Difficulty

Orchestra London Canada Inc., (the "Debtor"), is a professional orchestra based in London Ontario.

In the recent past, the Debtor was assessed approximately \$128,000 for Employer Health Tax relating to amounts paid to the orchestra players and administrators. In seeking financial assistance to pay this assessment, the Debtor identified that it had serious financial problems with respect to meeting its obligations to the end of the operating season, June 30, 2000. These problems stem in part from a recognition that it may not be appropriate to utilize receipts from the subscriptions and sponsorships pertaining to the subsequent season, to fund the final months of the current season.

As a result, the Debtor believes it is insolvent. In order to deal with its insolvency, the Debtor, by its Board of Directors, chose to file a Proposal under Division I of Part III of the Bankruptcy and Insolvency Act.

B. Summary of Proposal

The Proposal has several elements:

Directors' Liabilities - The Proposal calls for any debts and liabilities that could be assessed against any of the Directors personally, to be paid out over a maximum of 36 months ending May 31, 2003.

Fund-raising - The Debtor has identified a funding shortfall of \$330,000 to May 31, 2000. To fund this shortfall, the Debtor has undertaken a fund-raising program targeted to reach certain fund-raising benchmarks by specified dates. The purpose of these target amounts is to assure that there are sufficient resources to fund the scheduled concerts. In the event that the Debtor fails to meet any of these benchmarks, the Proposal provides that the Trustee shall apply to the Court to annul the Proposal. Upon the annulment of the Proposal, the Debtor will be deemed to have made an assignment in bankruptcy.

Secured Creditors - The Proposal calls for the operating line with the Bank of Nova Scotia to be paid out immediately and in full from the proceeds of a Guaranteed Investment Certificate that the Bank holds as collateral for the line. The Proposal also calls for the term loan in the amount of \$37,500, to be paid out in full in accordance with the existing terms of the loan. Those terms call for a future annual payment of \$12,500 in January 2001, January 2002, and January 2003.

The Corporation of the City of London has provided emergency funding for the Debtor and has taken a security interest in the Debtor's assets in support of those recent advances and subsequent advances to be made in accordance with the terms of the Proposal. This secured indebtedness is to be retired from future revenues of the Debtor.

Unsecured creditors - In lieu of a cash payment, the Proposal calls for the unsecured creditors to receive advertising and/or sponsorship exposure over the next 3 performing seasons, at the rate of 40% per season to a aggregate value of 120% of their claim in the Proposal.

Business Plan - The Proposal calls for the Debtor to file, by May 31, 2000, a Business Plan for the next 3 operating seasons that reflects a balanced budget and a segregation of funds between operating seasons so as to avoid any future repetition of the current practice of utilizing preseason subscription revenues to fund current operations.

C. Identification and Evaluation of Assets

The debtor's assets are as outlined and disclosed at the attached sworn Statement of Affairs.

D. Conduct of the Debtor

The Trustee is not aware of any conduct of the debtor that is subject to censure.

E. Creditors Claims

The estimated Claims of Creditors are as outlined at the attached Statement of Affairs. A Claims Register detailing the claims filed in the estate will be provided to the creditors at the meeting of creditors.

F. Previous Business Dealings with the Debtor

The Trustee has no previous dealings with the debtor outside of matters pertaining to the preparation and filing of the Proposal. The Trustee has had professional and personal dealings with certain members of the Board of Directors, specifically with Mr. Jim Dunlop and the firm Kime Dunlop Mills and with Mr. Claude Pensa and various members of the firm Harrison Pensa.

G. Informal Meetings with Major Creditors

Prior to the filing of the Proposal, the Trustee contacted the Bank of Nova Scotia and the Corporation of the City of London to apprise each of them of the pertinent sections of the Proposal and to advise them of the overall intention and direction of the Debtor.

H. Remuneration of the Trustee

The remuneration of the Trustee will be based on accumulated time charges at prevailing rates and will be subject to the approval of the Inspectors and the Court.

I. Other Matters

Payment of Secured Indebtedness - the Bank of Nova Scotia

The Bank of Nova Scotia was a secured creditor as at the date of the filing of the Proposal. Subsequent to the filing of the Proposal, instructions were issued by the Debtor to the Bank, to paydown the indebtedness in accordance with the terms of the Proposal. The Bank redeemed the GIC as instructed, however paid out both the operating loan and the term loan. Efforts by the Trustee and members of the Board of Directors to have the transaction regarding the term loan reversed were unsuccessful. As a result of the actions of the Bank of Nova Scotia, the result of which was that Orchestra London Canada Inc. had \$37,500 less cash flow than anticipated, the Trustee filed a material adverse change report to that effect, with the Official Receiver.

The retirement of this indebtedness contrary to the terms of the Proposal may impact the Bank's capacity to vote in favour of the Proposal. The Bank's status to vote a claim will be reviewed by the Official Receiver prior to the meeting of creditors.

Inspectors - Additional Responsibilities

The Proposal provides for certain additional responsibilities for the Inspectors of the estate in addition to their conventional role. The Inspectors are to receive and approve the Business Plan of Orchestra London Canada Inc. as submitted on or before May 31, 2000.

In addition, the Inspectors would have the authority to waive any default in the achievement of the benchmark fund-raising goals where they are satisfied that there are sufficient funds to complete the performances as scheduled and that no deficit or cash flow shortfall would ensue.

J. Recommendation

Notwithstanding the material adverse change report noted above, Orchestra London Canada Inc. has proceeded with its fund-raising to meet the balance of its funding benchmarks. Its Directors remain committed to the preservation of the orchestra and are confident that the terms of the Proposal can be met.

It is the Trustee's view that the creditors should demonstrate their support of Orchestra London Canada Inc. by voting in favour of this Proposal.

The reasons for that view are that in the event that the orchestra folds, the City of London loses a valuable cultural asset. This loss will impede to some extent the City's objectives of attracting and retaining solid businesses and employment into the community.

In the event that this particular organization ceases to exist, any new organization will be on a junior level to the existing orchestra when competing for federal, provincial and municipal funding.

Finally, in the event that the organization becomes a bankrupt, there will be NIL dollar recovery to the unsecured creditors. Advertising and sponsorship exposure as proposed, while not representing a currency based recovery, does represent an economic recovery to the unsecured creditors.

Accordingly, it is the Trustee's recommendation that the creditors accept the Proposal.